LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

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FISCAL IMPACT STATEMENT

LS 6878 **DATE PREPARED:** Dec 19, 2001
BILL NUMBER: SB 261 **BILL AMENDED:**

SUBJECT: IURC oversight of telecommunications.

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FUNDS AFFECTED: GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill establishes remedies, including civil penalties, for noncompetitive behavior by telecommunications companies.

Effective Date: July 1, 2002.

Explanation of State Expenditures: *Indiana Utility Regulatory Commission:* The bill's provision of additional procedures and remedies for the IURC in the event that a telephone company engages in noncompetitive behavior could have an administrative impact on the Commission. However, any impact is expected to be absorbed using the Commission's existing staff and available resources.

Attorney General's Cost in IURC Proceedings: The proposal also authorizes the Attorney General to bring an action to *enforce* an order of the Commission. If more legal actions are required to enforce an order in court, the administrative burden of the Attorney General's office will increase. A portion of the Attorney General's cost may be partially mitigated if the court awards damages, attorney's fees, and costs, as provided for in the bill.

Background on IURC and OUCC Funding: The operating budgets of the IURC and OUCC are funded by regulated utilities operating in Indiana. The IURC determines the rate at which to bill the utilities based on the two agencies' budgets, less reversions, divided by the total amount of gross intra-state operating revenue received by the regulated utilities for the previous fiscal year. Based on this formula, utilities are currently billed approximately 0.10% of their gross intra-state operating revenues to fund the IURC and OUCC. In FY 2001, fees from the utilities and fines generated approximately $8.6 M.

Explanation of State Revenues: This bill gives the IURC the authority to directly fine a telecommunication company that has been found to engage in noncompetitive behavior two or more times. The bill provides for different penalties for two categories of companies. Companies with *at least* 35,000 subscriber lines may be fined the greater of $30,000 or 0.00825% of the company's gross intrastate annual telecommunications revenue. Companies with *fewer* than 35,000 subscriber lines may be fined no more than $2,000 per violation. The bill gives the IURC the discretion to adjust the fine due to a variety of factors; including the gravity of the violation, the good faith of the violating company, and the company's size.

Civil penalties imposed by the IURC under this bill would be directed to:

1) customers of the violating telecommunications company, if the violation directly impacts ratepayers;
2) another telecommunications company, if the violation directly harms another utility; or
3) the IURC for public interest projects, if the violation neither directly impacts ratepayers or harms another utility.

It is not known in how many instances the IURC would impose monetary penalties.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Utility Regulatory Commission; Office of the Utility Consumer Counselor; Attorney General's Office.

Local Agencies Affected:

Information Sources: Indiana Utility Regulatory Commission, *2000-2001 Annual Report*.